



## Market and Trade Data

### U.S. Meat and Dairy Products Help Meet Vietnam's Demand

*By Nguyen Thi Huong and John Wade*

Vietnam is a rapidly developing country. In 2005 Vietnam's GDP (gross domestic product) grew at the remarkable rate of 8.4 percent, led by gains in construction, tourism, and telecommunications. For 2006, GDP growth is forecast at 8 percent. The country's economic development has spurred consumer spending, which rose 21 percent in 2005. And Vietnam's per capita meat consumption is increasing as well. The figures cited throughout this article are based primarily on data from Vietnam's General Statistics Office and Ministry of Agricultural and Rural Development, and therefore differ from USDA statistics.

Vietnamese are big consumers of pork and prefer pork to chicken and beef. In the Vietnamese diet, fresh meats from recently slaughtered animals are still the favorite animal protein source. However, people in the cities are now also accepting frozen meats either produced domestically or imported. They are also consuming more ready-made foods, such as canned meats and sausages. Frozen imported beef and chicken are used by restaurants and hotels in big cities to meet their needs for meat quality and hygiene.

#### Policy Pointers and Progress

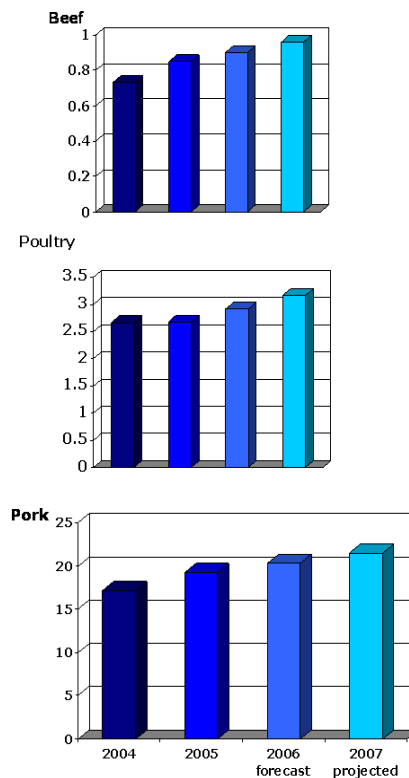
In conjunction with the Vietnam-U.S. bilateral accession agreement for the WTO (World Trade Organization) signed this year, Vietnam recognizes the U.S. meat and poultry food safety system as equivalent to its own. Accordingly, the Vietnamese government no longer requires a HACCP (Hazard Analysis and Critical Control Point) certificate and Certificate of Free Sale before granting import permits for U.S. meats and poultry. The only health certification now required is the USDA Food Safety Inspection Service's Export Certificate of Wholesomeness.

#### Taking Stock of Livestock Segments

In calendar 2005, Vietnam's livestock production made up 25 percent of the total value of its agricultural production. The government expects the country will raise the

#### Vietnam's Rising Meat Consumption Is Expected To Continue Upward Trend in the Near Term

##### Kg Per Capita Per Year



proportion of livestock to 30 percent by 2010 and 35 percent by 2015.

The value of Vietnam's livestock sector in 2005 grew 11.6 percent, while the total agricultural sector increased only

by 3.2 percent. Increased swine and beef production, and stabilization of the poultry sector in the wake of outbreaks of highly pathogenic avian influenza, account for the significant growth in the livestock sector's value.

**Pork:** Almost all of Vietnam's pork production is for local demand; only 1-2 percent of it is exported. The government hopes to become a major exporter of pork, but strong and growing domestic demand and other countries' health restrictions make this unlikely anytime soon. Vietnam imports some processed pork.

The country's tariff rates will drop with its WTO accession. But it will still likely meet most of its own pork demand, except possibly for offal – and here the Vietnamese affinity for cuts unpopular in Western diets might result in significant imports.

**Beef:** This is Vietnam's largest meat import. In 2005, the country imported \$3.2 million worth (about 730 metric tons). The imports came from a variety of sources, including Argentina, the United States, Australia, New Zealand, India, and Malaysia. Exports were very small, valued at only \$40,000, with Hong Kong the biggest market. Due to low domestic beef production and limited resources, particularly for grazing, beef imports are expected to continue growing, especially to meet demand in hotels and restaurants in big cities.

Vietnam currently allows beef meat from the United States, including bone-in, boneless, and offal products from animals less than 30 months of age.

**Dairy:** Vietnam's dairy cattle population increased significantly from 41,241 head in 2001 to 104,120 head by 2005 after the country instituted its dairy cattle development program. In 2003, Vietnamese dairy cattle production growth rate peaked at 42 percent. The growth rate fell to 20 percent in 2004 and to 9 percent in 2005 as milk prices moderated and feed prices rose, particularly in winter. In 2006, the growth rate of the dairy cattle population continued to slow as profits stayed relatively anemic.

Vietnam's fresh milk production swelled from 53,000 tons in 2000 to 198,000 tons in 2005. Both dairy cow quality and yields have improved. High demand for fresh dairy products, particularly in Vietnam's big cities, is driving production. In 2005, per capita fresh milk production reached 2.38 kg (1 kilogram = 2.2046 pounds), a 29-percent increase over the year before. But milk production remains small even after recent gains, and domestic dairies meet only about 22 percent of demand.

After eliminating an import quota system in 2005, Vietnam's dairy product imports swelled 47 percent to over \$300 million. In 2006, Vietnam is on track to exceed this record, with imports of \$168 million through the first six months. Vietnam imported dairy products from various countries, including the United States, Australia, South

Korea, and the Netherlands. U.S. milk and milk product export volumes have increased sharply, from 5,516 tons 2001 to 39,934 tons 2005, with 2006 on track to set another record. Vietnam's dairy product import growth is forecast to continue as improvements in living standards, especially in big cities, boost demand well beyond domestic production capacity.

**Poultry:** In the three years before the highly pathogenic avian influenza outbreaks began in late 2003, Vietnam's poultry population grew 8.6 percent per year, with the chicken population increasing 8.3 percent and the waterfowl population 9.4 percent. In 2004, due to the influenza outbreak, Vietnam's poultry population dropped 14 percent, and poultry meat production fell 15 percent.

In 2005, the poultry sector stabilized as the situation improved. The sector grew 0.08 percent in population and 1.7 percent in meat production. However, recovery will be slow: the risk from new outbreaks persists; government measures to control the disease inhibit expansion, particularly in the duck population; and local producers still hesitate to participate in this segment.

Prior to the avian influenza outbreaks, Vietnam imported significant numbers of live poultry for breeding. Imports fell dramatically during the avian influenza outbreak due to production cutbacks and the government curtailed and briefly banned foreign shipments of live birds and poultry products from all countries. Due to pressure from trading partners and abatement of the disease, in January 2006 Vietnam lifted the import ban for countries free from highly pathogenic avian influenza, and its imports of live poultry and poultry products have increased significantly.

High prices are fueling the current increases in imports. This market should continue to be favorable to U.S. suppliers in the near term at least. The extent to which the domestic industry

can expand in the long term will determine how much imports will grow. However, high Vietnamese demand for offal and dark meat cuts that are relatively unpopular in the United States should continue to create opportunities for U.S. exporters, particularly if progress can be made in reducing tariffs, which range up to 20 percent. ■

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